

EMPLOYEE RETIREMENT SYSTEMS OVERVIEW

Fairfax County Employee Retirement Systems include the Uniformed Retirement System (Fund 600), the Fairfax County Employees' Retirement System (Fund 601), and the Police Officers Retirement System (Fund 602). Each of these systems is funded from employees' contributions based on a fixed percentage of pay, County contributions based on a variable percentage of employee pay as determined by actuarial analysis, and return on investments. In order to assure the continued soundness of each fund, an actuarial valuation is conducted annually and, if appropriate, an adjustment is made to the employer's contribution rate.

For the Uniformed Retirement Trust Fund and the Police Officers Retirement Trust Fund, the full amount of the employer's contribution comes from Agency 89, Employee Benefits, in the County's General Fund. For the Fairfax County Employees' Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, for County employees; and Fairfax County Public Schools (FCPS) for school employees.

FY 2004 Adopted Budget

On April 28, 2003 the Board of Supervisors approved the following adjustments to the FY 2004 Advertised Budget Plan.

FY 2004 Employer Contribution Rates

Police Officers	17.96%
Fairfax County Employees'	6.13%
Uniformed	22.60%

12% Benefit Enhancement for Uniformed Retirees

- ◆ A net increase in the employer contribution of \$450,000 to Fund 600, Uniformed Retirement, to partially fund an average 12% increase for Uniformed System service retirees.

An average 12% increase to Uniformed System service retirees, developed by the retired firefighters association and supported by the Uniformed Board of Trustees, provides different levels of increases to Uniformed service retirees depending upon the Plan under which they retired. It should be noted that this results in a full fiscal year impact of \$1.86 million. This cost would be recurring until the liability has been funded or approximately 15 years. The increases are as follows:

Plan A	23%
Plan B	15%
Plan C	5%
Plan D	5%
Survivors of Retirees	10%

Based on the number of retirees and average benefits under each plan, the range of increases above represents a weighted-average increase of 12%. The projected implementation date is January 1, 2004. The full year fiscal impact of this benefit enhancement will not be realized until FY 2005.

Deferred Retirement Option Plan (DROP)

- ◆ A net increase in the employer contribution of \$538,534 for Fund 600, Uniformed Retirement, and Fund 602, Police Retirement, to support a Deferred Retirement Option Plan, or DROP, as an added feature to the existing retirement systems.
- ◆ An increase of \$100,000 and 1/1.0 SYE position is included to support the DROP program.

EMPLOYEE RETIREMENT SYSTEMS OVERVIEW

The DROP program is a provision with a defined benefit retirement system that provides additional flexibility in the distribution of benefits. DROP plans allow an employee who reaches retirement eligibility to agree to defer leaving employment until a specified date in the future, on condition of being deemed to have retired for purposes of the retirement system. The amount of the retirement benefit that would have been paid had the employee terminated employment and retired is credited to a DROP account that accumulates while the employee continues to work. At the end of the DROP period, the employee terminates employment and can receive the accumulated balance in the DROP account as well as begin receiving monthly retirement benefits based on his/her employment and compensation at the time of electing to enter the DROP. An employee who elects to enter a DROP plan and chooses a "deemed" retirement date transforms the traditional retirement benefit into a combination of a lump-sum account and a traditional pension benefit calculated as if the employee had actually retired on the date of entry in the DROP plan. This assumes October 1, 2003 implementation.

The major provisions of the recommended plans include:

Eligibility

- Members of the Police Officers and Uniformed Retirement Systems would have the option to elect DROP beginning on date of eligibility for normal retirement.
This varies by plan as follows:
 - Uniformed: Age 55 with 6 years of service; or 25 years of service
 - Police Officers: Age 55; or 25 years of service (20 years of service if hired before July 1, 1981).

Length of Drop Period

- Three years.
- Election to enter DROP is irrevocable.
- At the end of the DROP period, employment must terminate.

DROP Account Balance

- Account is credited with benefit accrued up to the point of DROP entry.
- Amounts credited increase based on retiree COLA's.
- Account balances are credited interest at an annual rate of 5 percent.

During DROP Period

- Employees are considered active employees for all other benefits/personnel policies.

End of DROP Period

- Employee terminates employment/retires.
- Monthly retirement payments commence in the amount of accrued benefit at time of entry to DROP increased by any retiree COLA's granted during DROP period.
- Several distribution options will be made available for DROP balance, including:
 - Direct lump sum payments.
 - Rollover to IRA or other employer plan.
 - Increase in monthly annuity (actuarial equivalent).

Disability/Death During DROP

- If not service-connected,
 - Monthly retirement payments, if applicable, plus DROP balance.
- If service-connected,
 - Option of disability/death benefits and forfeiture of DROP, or monthly retirement payments plus DROP balance.

EMPLOYEE RETIREMENT SYSTEMS OVERVIEW

FY 2004 Advertised Budget

Based on the annual actuarial valuation, the employer's contribution rate for FY 2004 for each of the three funds (before the 12% benefit enhancement for Uniformed service retirees and the DROP as detailed above are as follows):

Fund	FY 2003 Employer Contribution Rates (%)	FY 2004 Rates (%)	Basis Point Change (%) ¹	Net General Fund Impact
Police Officers	17.30	17.62	0.32	\$257,591
Fairfax County Employees' Retirement	6.00	6.13	0.13	\$320,057
Uniformed	21.65	21.90	0.25	<u>\$265,696</u>
Total				\$843,344

¹ The increase in the FY 2004 employer contribution rates is solely a result of the award of the additional COLA for retirees effective July 1, 2002.

The increase in rates is necessary to fund the additional retiree cost of living increase benefit enhancement of 0.67 percent for the Police Officers System and 1.0 percent for Employees' and Uniformed Systems reviewed by the Board of Supervisors and approved by the Boards of Trustees, effective July 1, 2002. Following the currently effective actuarial funding policy, contribution rates are adjusted only to fund approved benefit enhancements and to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent. The actuarial results confirm that all three Systems are currently within the established funding corridor.

The funding ratios for the three systems as of June 30, 2002 are:

Fund	June 30, 2001 (%)	June 30, 2002 (%)
Police Officers	99.0	95.7
Fairfax County Employees' Retirement	97.3	90.4
Uniformed	102.3	95.3

Note:

Based on past and year to date investment performance the funding ratios may fall outside the corridor for the year ending June 30, 2003. This could have a significant impact on the FY 2005 employer contribution rates and correspondingly, employer contributions from the General Fund, other funds and the schools. No additional information is available at this time. Final information will be included in the FY 2005 budget.

EMPLOYEE RETIREMENT SYSTEMS OVERVIEW

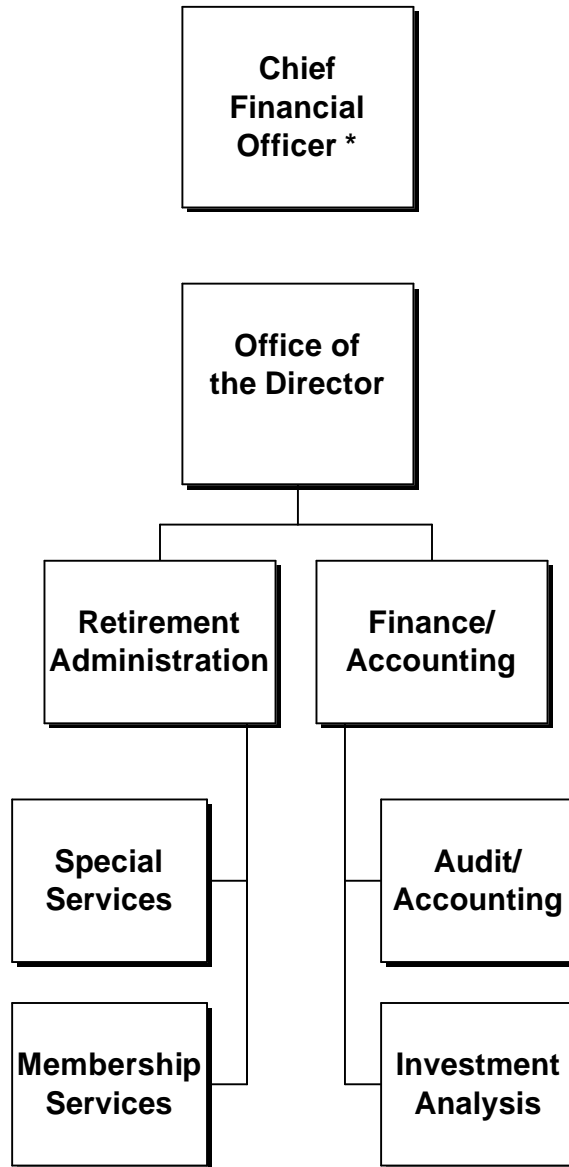
The following table displays relevant information about each retirement system:

EMPLOYEES COVERED					
Uniformed		Fairfax County Employees' Retirement		Police Officers	
Fire and Rescue Personnel; Uniformed Office of Sheriff employees; Game and Animal Wardens; Helicopter Pilots.		County employees not covered under Uniformed or Police Officers System; certain FCPS employees including food service, custodial, bus drivers, part-time and substitute teachers, maintenance staff.		Fairfax County Police Officers.	
CONDITIONS OF COVERAGE					
Uniformed		Fairfax County Employees' Retirement		Police Officers	
At age 55 with 6 years of service or after 25 years of service.		At age 65 with 5 years of service or earlier when age and years of service combined equal 80 or, for reduced "early retirement" benefits, 75. Not before age 50.		At age 55 or after 20 years of police service if hired before 7/1/81; or 25 years of service if hired on or after 7/1/81.	
EMPLOYEE CONTRIBUTION					
	Uniformed		Fairfax County Employees' Retirement		Police Officers
	Plan A	Plan B	Plan A	Plan B	12.00% of Pay
Up to Wage Base	4.00%	7.08%	4.00%	5.33%	
Above Wage Base	5.33%	8.83%	5.33%	5.33%	
Plan C	4.00%				
Plan D	7.08%				
EMPLOYER CONTRIBUTION Rate Structure / FY 2004 Estimate					
Uniformed		Fairfax County Employees' Retirement		Police Officers	
22.60% \$22,648,804		County 6.13% / \$23,505,044 Schools 6.13% / \$8,559,240		17.96% \$13,842,073	

EMPLOYEE RETIREMENT SYSTEMS OVERVIEW

INVESTMENT MANAGERS AS OF JUNE 30, 2002		
Uniformed	Fairfax County Employees' Retirement	Police Officers
<ul style="list-style-type: none"> ▪ Barclays Global Investors ▪ Credit Suisse Asset Management ▪ Cohen & Steers Capital Management ▪ J.L Kaplan Associates, L.L.C. ▪ JP Morgan Investment Management ▪ Pantheon Ventures ▪ Lazard Asset Management ▪ Marathon-London ▪ Mellon Bond Associates ▪ Payden & Rygel Investment Counsel ▪ State Street Global Advisors ▪ Schroder Capital Management International, Inc. ▪ UBS Global Asset Management 	<ul style="list-style-type: none"> ▪ Barclays Global Investors ▪ The Clifton Group ▪ Cohen & Steers Capital Management, Inc. ▪ DSI International ▪ JP Morgan Investment Management, Inc. ▪ Lazard Asset Management ▪ MacKay Shields ▪ Mellon Bond Associates ▪ M.W. Post Advisory Group, L.L.C. ▪ Payden and Rygel Investment Counsel ▪ Schroder Capital Management International, Inc. ▪ Shenkman Capital Management ▪ Trust Company of the West ▪ Robert E. Torray & Co., Inc. ▪ Thompson Hortstman and Bryant ▪ Wanger Asset Management, L.P. 	<ul style="list-style-type: none"> ▪ Capital Guardian Trust Co. ▪ Cohen & Steers Capital Management, Inc. ▪ Credit Suisse Asset Management ▪ Dodge & Cox, Inc. ▪ Robert E. Torray & Co., Inc. ▪ State Street Capital Management ▪ Janus Capital ▪ Oak Associates ▪ Mellon Bond Associates ▪ Pacific Investment Management Co.

RETIREMENT ADMINISTRATION AGENCY



* The Chief Financial Officer has a liaison role for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

RETIREMENT ADMINISTRATION AGENCY

Agency Position Summary

22 Regular Positions (1) / 22.0 Regular Staff Years (1.0)

Position Detail Information

OFFICE OF THE DIRECTOR

1 Executive Director
1 Administrative Assistant III
1 Administrative Assistant II
1 Administrative Assistant I
4 Positions
4.0 Staff Years

RETIREMENT ADMINISTRATION

1 Retirement Administrator
1 Position
1.0 Staff Year

Special Services

1 Programmer Analyst II
1 Programmer Analyst III
1 Information Officer II
3 Positions
3.0 Staff Years

Membership Services

1 Management Analyst II
3 Retirement Counselors
4 Administrative Assistants II
8 Positions
8.0 Staff Years

FINANCE/ACCOUNTING

1 Investment Manager
1 Position
1.0 Staff Year

Audit/Accounting

2 Accountants II* (1)
1 Administrative Assistant IV
3 Positions (1)
3.0 Staff Years (1.0)

*1/1.0 SYE Accountant II is financed by Fund 500, Retiree Health Benefits. All remaining 21/21.0 SYE positions are financed jointly by the three retirement trust funds (Fund 600, Fund 601, and Fund 602).

Investment Analysis

1 Senior Investment Manager
1 Investment Analyst
2 Positions
2.0 Staff Years

() Denotes New Positions

RETIREMENT ADMINISTRATION AGENCY

Agency Mission

To assure the successful financial and administrative operation of the three Fairfax County employee retirement systems (Fairfax County Employees' Retirement, Uniformed and Police Officers), to accurately process payments of the Retiree Health Benefits Fund, and to provide comprehensive information regarding retirement plan benefits to all active employees and retirees covered by County retirement plans.

Agency Summary ¹					
Category	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	21/ 21	21/ 21	21/ 21	21/ 21	22/ 22
Expenditures:					
Personnel Services	\$3,252,245	\$3,693,322	\$3,693,322	\$4,532,778	\$4,583,337
Operating Expenses	133,108,525	155,466,942	155,471,980	168,603,483	168,643,483
Capital Equipment	0	0	0	0	0
Total Expenditures	\$136,360,770	\$159,160,264	\$159,165,302	\$173,136,261	\$173,226,820

¹ The table above includes all of the three County retirement funds (Funds 600, 601, and 602) as well as the Retiree Health Benefits Fund (Fund 500) which are administered by this Agency and to which all costs of agency administration are apportioned. Further details on Fund 500, including the fund statement, may be found under the Internal Service Fund section in this volume.

Summary by Cost Center					
Category	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
600 Uniformed Employees Retirement Trust Fund	\$23,273,449	\$32,301,833	\$32,301,833	\$34,184,624	\$34,233,280
601 Fairfax County Employees' Retirement Trust Fund	83,100,647	93,335,300	93,340,338	101,061,628	101,055,357
602 Police Retirement Trust Fund	27,947,457	31,223,195	31,223,195	34,797,219	34,845,875
Subtotal Retirement Trust Funds	\$134,321,553	\$156,860,328	\$156,865,366	\$170,043,471	\$170,134,512
500 Retiree Health Benefits Fund	\$2,039,217	\$2,299,936	\$2,299,936	\$3,092,790	\$3,092,308
Total Expenditures	\$136,360,770	\$159,160,264	\$159,165,302	\$173,136,261	\$173,226,820

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2004 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2003:

- ♦ A net reduction of \$9,441 reflects reduced funding for the Pay for Performance program. Based on the approved 25 percent reduction, the FY 2004 program will result in reductions in the increases employees will receive based on their performance rating, capping employees to a maximum of 5.25 percent. This adjustment leaves in place the Pay for Performance program in preparation for system redesign for FY 2005.

RETIREMENT ADMINISTRATION AGENCY

- ◆ An increase of \$100,000 for Fund 600, Uniformed Retirement, and Fund 602, Police Retirement, including 1/1.0 SYE position to support the DROP program. This adjustment results in an increase of \$60,000 in Personnel Services and \$40,000 in Operating Expenses. It should be noted that the increase in funding is split equally between the two funds.
- ◆ As part of the FY 2005 Budget Guidelines approved by the Board of Supervisors on April 28, 2003, the County Executive is directed to work with public safety and general county employees on further enhancements to the health benefits subsidy for retirees. In addition, the County Executive is directed to look at the County's retirement program with advice and recommendations from the Retirement Boards of Trustees and encourages the School Board to conduct the same review of its retirement programs. The review and recommendations should be provided to the Board of Supervisors to be considered as part of the FY 2005 Advertised Budget Plan.
- ◆ As part of the FY 2005 Budget Guidelines approved by the Board of Supervisors on April 28, 2003, staff is directed to undertake a review of the different types of certification and other supplemental pay that are not included in the regular salary base against which retirement contributions and benefits are calculated. This review should include certification pay, retention pay, recruiting bonuses and other items not included in the regular salary base. The review, fiscal impact and recommendations should be provided to the Board of Supervisors to be considered as part of the FY 2005 Advertised Budget Plan.

The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan from January 1, 2003 through April 21, 2003. Included are all adjustments made as part of the FY 2003 Third Quarter Review:

- ◆ The Board of Supervisors made no adjustments to Fund 600, Uniformed Retirement.
- ◆ The Board of Supervisors made no adjustments to Fund 601, Fairfax County Employees' Retirement.
- ◆ The Board of Supervisors made no adjustments to Fund 602, Police Retirement.

County Executive Proposed FY 2004 Advertised Budget Plan

Purpose

Under the direction of the Boards of Trustees for the Police Officers, Fairfax County Employees' Retirement, and Uniformed Retirement Systems, the Retirement Administration Agency processes benefit payments to eligible Fairfax County retirees and beneficiaries. The agency also processes payments for the retiree health benefit subsidy from the Retiree Health Benefits Fund and provides counseling and comprehensive information pertaining to benefits to active and retired County employees.

The agency oversees the financial management of the retirement systems, including the management and investment of the retirement trust funds which totaled \$2,907,838,824 as of June 30, 2002. At the end of FY 2002, the retirement trust funds were invested as follows: 39 percent domestic equities, 40 percent fixed income securities, 13 percent international equities, and 8 percent real estate investment trusts (REITs).

RETIREMENT ADMINISTRATION AGENCY

FY 2004 Initiatives

- ◆ Continue to identify and implement opportunities to optimize the use of information and technology, including the County's Infoweb, to enhance service delivery. Specific initiatives currently identified include document scanning for archival and back-up of records and providing members with the ability to obtain benefit estimates on-line.

Performance Measurement Results

For the second year in a row, investment returns for each of the three retirement systems in FY 2002 were below the long-term average rate of 7.5 percent assumed for actuarial purposes. Returns were minus 3.90 percent for the Employees' System, minus 4.75 percent for Police Officers and minus 4.63 percent for Uniformed. These results reflect a significant decline in the stock markets combined with strong returns in both the fixed income markets and real estate investment trusts. While all three systems' returns were negative, the plans continue to perform well relative to their peers. In the universe of public funds used to assess relative performance, returns for the Employees' system were in the 22nd percentile, outperforming 78 percent of other public funds. Returns for the Uniformed System were in the 30th percentile and Police Officers returns were in the 35th percentile. These strong relative results reflect somewhat conservative asset allocations as well as value added by active managers.

Funding Adjustments

The following funding adjustments from the FY 2003 Revised Budget Plan are necessary to support the FY 2004 program:

- ◆ An increase of \$839,456 in Personnel Services including \$50,956 associated with salary adjustments necessary to support the County's compensation program and an increase in retiree health subsidy payments of \$788,500.
- ◆ A net increase of \$13,087,117 in Operating Expenses reflects increased payments of \$14,828,997 to retirees due to a higher number of retirees and higher individual payment levels, and an increase in payments to beneficiaries of \$265,644 offset by a net decrease in the allowance for refunds of \$992,000 based on projected turnover of active members, and a decrease of \$1,015,524 in investment management fees due to a reduction in asset values.
- ◆ A net increase of \$44,386 in Operating Expenses primarily due to increases in computer hardware and software, postage, actuarial services and insurance offset by decreases in banking services costs, computer mainframe charges, and anticipated legal service fees.

The following funding adjustments reflect all approved changes in the FY 2003 Revised Budget Plan since passage of the FY 2003 Adopted Budget Plan. Included are all adjustments made as part of the FY 2002 Carryover Review and all other approved changes through December 31, 2002:

- ◆ As part of the FY 2002 Carryover Review, an amount of \$5,038 was added due to encumbered carryover.

RETIREMENT ADMINISTRATION AGENCY

Performance Measures

Objectives

- ◆ To maintain at 100 percent the number of retiree benefit payments processed on time.
- ◆ To achieve at least a 7.5 percent return on investment over rolling three year periods.
- ◆ To achieve realized return on investment commensurate with the S&P 500 Index and the Lehman Brothers Aggregate Bond Index.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate/Actual	FY 2003	FY 2004
Output:					
Members: Fairfax County Employees (1)	16,801	17,127	17,389 / 17,532	17,669	17,827
Members: Uniformed	2,159	2,177	2,235 / 2,286	2,299	2,381
Members: Police Officers	1,698	1,752	1,798 / 1,815	1,847	1,921
Return on investment: Fairfax County Employees	\$106,500,910	(\$4,202,736)	\$144,612,615 / (\$69,320,270)	\$142,908,903	\$135,000,817
Return on investment: Uniformed	\$34,013,896	(\$17,073,855)	\$52,527,977 / (\$30,009,656)	\$51,711,932	\$49,513,911
Return on investment: Police Officers	\$47,509,347	(\$16,641,031)	\$49,612,079 / (\$28,285,518)	\$48,625,737	\$45,720,736
Efficiency:					
Cost per member: Fairfax County Employees	\$45	\$43	\$42 / \$43	\$46	\$45
Cost per member: Uniformed	\$102	\$107	\$105 / \$99	\$114	\$109
Cost per member: Police Officers	\$123	\$136	\$124 / \$114	\$138	\$131
Investment costs as a percent of assets: Fairfax County Employees (2)	0.26%	0.28%	0.27% / 0.34%	0.48%	0.44%
Investment costs as a percent of assets: Uniformed	0.30%	0.27%	0.27% / 0.26%	0.44%	0.50%
Investment costs as a percent of assets: Police Officers	0.47%	0.45%	0.48% / 0.42%	0.47%	0.47%

RETIREMENT ADMINISTRATION AGENCY

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate/Actual	FY 2003	FY 2004
Service Quality:					
Percent of retiree checks issued within schedule time frame: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Police Officers	100%	100%	100% / 100%	100%	100%
Return compared to assumed actuarial rate (7.5%): Fairfax County Employees	5.89%	(0.19%)	7.50% / (3.90%)	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Uniformed	5.18%	(2.58%)	7.50% / (4.63%)	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Police Officers	7.77%	(2.72%)	7.50% / (4.75%)	7.50%	7.50%
Large cap domestic equity return compared to S&P 500 Index: S&P 500 Index	7.24%	(14.83%)	NA / (17.97%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Fairfax County Employees	3.34%	(14.01%)	NA / (17.65%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Uniformed	2.82%	(13.28%)	NA / (17.60%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Police Officers	1.64%	(18.20%)	NA / (19.17%)	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Lehman Aggregate Bond Index	4.56%	11.23%	NA / 8.63%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Fairfax County Employees	4.27%	11.20%	NA / 8.87%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Uniformed	4.76%	10.07%	NA / 3.91%	NA	NA

RETIREMENT ADMINISTRATION AGENCY

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate/Actual	FY 2003	FY 2004
Fixed income return compared to the Lehman Aggregate Bond Index: Police Officers	3.94%	12.76%	NA / 6.13%	NA	NA
Outcome:					
Percent of retiree payments processed on time: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Police Officers	100%	100%	100% / 100%	100%	100%
Deviation from actuarial rate of return (total plan): Fairfax County Employees	1.6%	7.7%	0.0% / (11.4%)	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Uniformed	(2.3%)	(10.1%)	0.0% / (12.1%)	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Police Officers	(0.3%)	(10.2%)	0.0% / (12.3%)	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Fairfax County Employees	(3.9%)	0.8%	0.0% / 0.3%	0.0%	NA
Deviation from S&P 500 (large cap equities): Uniformed	(4.4%)	1.5%	0.0% / 0.4%	0.0%	NA
Deviation from S&P 500 (large cap equities): Police Officers	(5.6%)	(3.4%)	0.0% / (1.2%)	0.0%	NA
Deviation from Lehman Aggregate (fixed income): Fairfax County Employees	(0.3%)	0.0%	0.0% / 0.2%	0.0%	NA
Deviation from Lehman Aggregate (fixed income): Uniformed	(0.2%)	(1.2%)	0.0% / (4.7%)	0.0%	NA
Deviation from Lehman Aggregate (fixed income): Police Officers	(0.6%)	1.5%	0.0% / (2.5%)	0.0%	NA

(1) This indicator was previously reported separately as number of retirees and number of active members. Beginning in FY 2001, these indicators were combined and are now shown as the total number of members.

(2) This indicator was previously reported as investment costs as a percentage of earnings. However, beginning in FY 2001, the indicator was revised and now reflects the costs as a percentage of assets.

RETIREMENT ADMINISTRATION AGENCY

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 600, Uniformed Retirement

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Beginning Balance	\$644,181,059	\$692,827,700	\$617,625,402	\$662,457,541	\$636,601,575
Revenue:					
Employer Contributions	\$18,778,608	\$18,016,014	\$18,016,014	\$21,905,589	\$22,648,804
Employee Contributions	6,861,311	7,279,026	7,279,026	7,690,281	7,690,281
Employee Payback	63,674	127,000	127,000	57,000	57,000
Return on Investments ¹	12,801,942	51,711,932	25,855,966	49,513,911	49,513,911
Total Realized Revenue	\$38,505,535	\$77,133,972	\$51,278,006	\$79,166,781	\$79,909,996
Unrealized Gain (Loss) ²	(\$41,787,743)	\$0	\$0	\$0	\$0
Total Revenue	(\$3,282,208)	\$77,133,972	\$51,278,006	\$79,166,781	\$79,909,996
Total Available	\$640,898,851	\$769,961,672	\$668,903,408	\$741,624,322	\$716,511,571
Expenditures:					
Administrative Expenses	\$559,856	\$684,869	\$684,869	\$678,665	\$727,321
Investment Services ¹	2,273,908	2,804,965	2,804,965	3,145,959	3,145,959
Payments to Retirees	19,797,427	27,920,347	27,920,347	29,592,463	29,592,463
Beneficiaries	351,292	486,652	486,652	492,537	492,537
Refunds	290,966	405,000	405,000	275,000	275,000
Total Expenditures	\$23,273,449	\$32,301,833	\$32,301,833	\$34,184,624	\$34,233,280
Total Disbursements	\$23,273,449	\$32,301,833	\$32,301,833	\$34,184,624	\$34,233,280
Ending Balance	\$617,625,402	\$737,659,839	\$636,601,575	\$707,439,698	\$682,278,291
PC Replacement Reserve ³	5,254	6,064	6,064	6,874	6,874
Unreserved Balance	\$617,620,148	\$737,653,775	\$636,595,511	\$707,432,824	\$682,271,417

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$1,023,854.94 has been reflected as an increase in FY 2002 revenue and expenditures. FY 2002 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28 which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR). It should be noted that prior to GASB 28 the retirement systems reflected net income from securities lending as part of return on investment.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.

RETIREMENT ADMINISTRATION AGENCY

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 601, Fairfax County Employees' Retirement

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Beginning Balance	\$1,811,980,376	\$1,924,730,337	\$1,716,935,570	\$1,821,281,821	\$1,749,827,370
Revenue:					
County Employer Contributions	\$22,800,675	\$22,364,457	\$22,364,457	\$23,505,044	\$23,505,044
County Employee Contributions	17,274,569	17,232,716	17,232,716	18,771,339	18,771,339
School Employer Contributions	8,283,131	8,143,901	8,143,901	8,559,240	8,559,240
School Employee Contributions	6,456,012	6,701,612	6,701,612	7,299,965	7,299,965
Employee Payback	661,791	335,000	335,000	457,000	457,000
Return on Investments ¹	17,469,418	142,908,903	71,454,452	135,000,817	135,000,817
Total Realized Revenue	\$72,945,596	\$197,686,589	\$126,232,138	\$193,593,405	\$193,593,405
Unrealized Gain (Loss) ²	(\$84,889,755)	\$0	\$0	\$0	\$0
Total Revenue	(\$11,944,159)	\$197,686,589	\$126,232,138	\$193,593,405	\$193,593,405
Total Available	\$1,800,036,217	\$2,122,416,926	\$1,843,167,708	\$2,014,875,226	\$1,943,420,775
Expenditures:					
Administrative Expenses	\$1,563,941	\$1,872,035	\$1,877,073	\$1,829,378	\$1,823,107
Investment Services ¹	6,883,000	8,669,284	8,669,284	7,508,764	7,508,764
Payments to Retirees	69,068,381	75,935,749	75,935,749	86,249,114	86,249,114
Beneficiaries	1,810,383	2,103,232	2,103,232	2,060,372	2,060,372
Refunds	3,774,942	4,755,000	4,755,000	3,414,000	3,414,000
Total Expenditures	\$83,100,647	\$93,335,300	\$93,340,338	\$101,061,628	\$101,055,357
Total Disbursements	\$83,100,647	\$93,335,300	\$93,340,338	\$101,061,628	\$101,055,357
Ending Balance	\$1,716,935,570	\$2,029,081,626	\$1,749,827,370	\$1,913,813,598	\$1,842,365,418
PC Replacement Reserve ³	28,296	35,856	35,856	43,416	43,416
Unreserved Balance	\$1,716,907,274	\$2,029,045,770	\$1,749,791,514	\$1,913,770,182	\$1,842,322,002

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$1,899,933.43 has been reflected as an increase in FY 2002 revenue and expenditures. FY 2002 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28 which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR). It should be noted that prior to GASB 28 the retirement systems reflected net income from securities lending as part of return on investment.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.

RETIREMENT ADMINISTRATION AGENCY

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 602, Police Retirement

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Beginning Balance	\$605,386,894	\$650,797,742	\$573,316,655	\$615,575,602	\$591,262,734
Revenue:					
Employer Contributions	\$15,077,920	\$16,007,754	\$16,007,754	\$13,596,754	\$13,842,073
Employee Contributions	8,292,195	8,815,651	8,815,651	9,265,250	9,265,250
Employee Payback	57,401	33,000	33,000	38,000	38,000
Return on Investments ¹	14,595,533	48,625,737	24,312,869	45,720,736	45,720,736
Total Realized Revenue	\$38,023,049	\$73,482,142	\$49,169,274	\$68,620,740	\$68,866,059
Unrealized Gain (Loss) ²	(\$42,145,831)	\$0	\$0	\$0	\$0
Total Revenue	(\$4,122,782)	\$73,482,142	\$49,169,274	\$68,620,740	\$68,866,059
Total Available	\$601,264,112	\$724,279,884	\$622,485,929	\$684,196,342	\$660,128,793
Expenditures:					
Administrative Expenses	\$541,583	\$672,790	\$672,790	\$637,677	\$686,333
Investment Services ¹	2,768,935	2,812,981	2,812,981	2,616,983	2,616,983
Payments to Retirees	22,828,112	26,112,971	26,112,971	29,136,487	29,136,487
Beneficiaries	1,209,700	1,192,453	1,192,453	1,495,072	1,495,072
Refunds	599,127	432,000	432,000	911,000	911,000
Total Expenditures	\$27,947,457	\$31,223,195	\$31,223,195	\$34,797,219	\$34,845,875
Total Disbursements	\$27,947,457	\$31,223,195	\$31,223,195	\$34,797,219	\$34,845,875
Ending Balance	\$573,316,655	\$693,056,689	\$591,262,734	\$649,399,123	\$625,282,918
PC Replacement Reserve ³	5,254	6,064	6,064	6,874	6,874
Unreserved Ending Balance	\$573,311,401	\$693,050,625	\$591,256,670	\$649,392,249	\$625,276,044

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$735,220.64 has been reflected as an increase in FY 2002 revenue and expenditures. FY 2002 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28 which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR). It should be noted that prior to GASB 28 the retirement systems reflected net income from securities lending as part of return on investment.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.